

The New Political Economy of Development

Globalization, Imperialism, Hegemony

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the ways in which international order is achieved. This can occur through a number of means, but one way relevant to our discussion is through the emergence of a hegemonic power. Hegemony is basically seen as the ability to make and enforce rules in the international order, an ability which itself is secured by the possession of sufficient material resources to enforce rules on others (Keohane 1984). In the era of globalization, much of the literature assumed that US state hegemony was in decline, and being replaced by some form of transnational hegemony, in which states were just one form of power among others.

This view of hegemony tended to mirror closely much of the mainstream and critical globalization debate, in that an era of state sovereignty and US hegemony was said to be in decline, and replaced by an era of globalization and transnational hegemony (Robinson 2004). This view not only under-estimated the continued importance of state and US power, but also downplayed the ways in which US hegemony was secured through means other than hard, military power. This led to a more subtle understanding of hegemony, in part derived from the work of Marxist theorist Antonio Gramsci (1971), which focused on the ways in which dominant states secured their primary position in practice. This of course was in part through force and coercion, but it was also through the use of powers of persuasion and the construction of consent. Liberal advocates of US hegemony called this 'soft power' (Nye 2005), while neo-Gramscians tended to focus on ideological constructions of US hegemony (Cox 1987).

As we will see, these views are not unimportant. But they need to be supplemented by a greater focus on the ways in which hegemony is constructed both materially and ideologically, and on the contradictions that emerge out of these processes. What this means, as will become clear, is that hegemony is constructed through ideological processes which themselves cannot be separated from concrete forms of class and state formation in different parts of the world. Chapter 9 develops this theme in detail, where it is suggested that dominant classes and state actors in many parts of the world have actively bought into a US-led, neo-liberal international order, and that there are concrete benefits to be gained from doing so. Of course not everybody benefits, but it is mistaken to assume that dominant classes in the other developed countries, and in much of the developing world, reject a US-led neo-liberal order. On the other hand, they may well reject aspects of that order, and it could be argued that since 2001, US hegemony has been partially eroded by the naked unilateralism and militarism of US foreign policy. But at the same time, this does not mean that ruling classes and state elites in the rest of the world reject neo-liberal capitalism wholesale. In contrast to much of the literature on US hegemony, the position taken in this book is that US

hegemony has actually intensified, and not declined in the post-Cold War, neo-liberal order. Having said that, there has been some erosion of US hegemony, as opposed to dominance, since 2001, but this largely amounts to a challenge that accepts the basic, neo-liberal parameters of US hegemony, as opposed to an outright rejection.

In this account then, US hegemony is closely linked to neo-liberalism. Briefly, neo-liberalism can be regarded both as an ideology propagated by advocates of free market economics, but also as the dominant form of capital accumulation in the modern world. US hegemony has played a crucial role in promoting neo-liberalism as both ideology and the current form of capital accumulation, in that it has led the way in promoting the shift from fixed to floating exchange rates, the elimination of capital controls, and the liberalization of trade and investment rules. This has become the hegemonic form of social rule in the world today because, with the exception of East Asia, dominant classes in other countries have largely accepted the need for such policies. Indeed, even in East Asia, this is changing. This suggests then that hegemony should not be regarded as a simplistic zero-sum game, in which one nation-state or region increases its powers of consent or coercion at the expense of another. As will become clear, US hegemony has important sources of strength and weakness, but these must be analysed in terms of cooperative as well as conflictual relations with other states and regions.

None of this means of course that neo-liberal or US hegemony goes unchallenged, but it does mean that such challenges occur from social and political movements committed to far more radical social and political change, who are unconvinced that neo-liberalism is the most efficient or just way of satisfying people's needs throughout the world. And this point leads us on to the question of development.

Defining Development

Defining development is not perhaps as straightforward as it may first appear. Any standard account must accept that 'development' usually referred to something that primarily took place in what used to be called the Third World, particularly in the context of the period after 1945. 'Development' thus usually refers to something that occurs in the developing world, describing the processes by which poorer countries catch up with richer, developed, countries. One of the more important historical reflections on the idea of development has challenged the assumptions that development is a post-1945 creation that applies largely to the developed world. Cowen and Shenton (1996) suggest that although not used so explicitly before 1945, the idea of development has its roots in

older debates about modernity and progress that stretch back at least to the eighteenth century. Insofar as their approach applies to current debates, they also make an important distinction between immanent and intentional development. The former is essentially defined as the spontaneous development of capitalism, based on development of the productive forces (technologies) which is rooted in the competition between capitals. Intentional development, on the other hand, is defined as deliberate action designed to control the contradictions and problems that arise out of immanent development. This action is located in the activities of various agencies, including states and civil society organizations.

These definitions usefully distinguish different understandings of development, something that is increasingly important in the context of the increased turn away from social theory, historical sociology and even radical political economy in much that now passes for development studies. Indeed, some critics have regretfully suggested that development studies has effectively made its peace with any critical account, not only of capitalism, but even of neo-liberal capitalism (Payne 2004; 2005).

On the other hand, there are some problems with the distinction made between immanent and intentional development. In particular, in separating the immanent development of the market from the intentional development of the state, Cowen and Shenton come perilously close to repeating the fallacies of neo-liberalism, which assumes that states and markets can be separated in this way. As those influenced by Marx (1976) and Polanyi (1944), and any number of classical sociologists contend, the idea that 'natural' markets can be so easily separated from 'political' states, is highly problematic. It is a fallacy repeated by much of the literature on globalization, which assumes that the fact of globalization (or the natural market) has an impact on states, but it is a strange separation to be made by two writers who owe considerable allegiance to Marxist thought. Indeed, as we will see in Chapters 2 and 5, the idea that there are separate economic and political spheres is one that is rooted in capitalist social relations, and Marxists interrogate the ways that this separation is rooted in these historically specific relations (Wood 2002). They do not take such a separation for granted.

These abstract points have important implications for understanding post-war development, and the shift away from the developmental to neo-liberal states. For while it is true that development has a history prior to 1945, it is also true that it emerged as a far more prominent idea in the context of the emergence of newly independent sovereign states in the years after 1945 (Hewitt 2000). The former colonies, and poorer countries in Latin America, committed themselves to a consciously directed process of capitalist development (Kambhampati 2004). The main strategy for promoting catch up with the developed world – in

other words, development – was import-substitution industrialization (ISI). Under ISI, states directed processes of industrial development, usually along capitalist lines (even when socialist ideas influenced state leaders). As Chapter 3 shows, this was done through a process of state fostering of industries, through subsidies, tariffs and import controls designed to protect domestic producers (whether locally or foreign owned) from competition from cheaper imports from overseas (Kiely 1998). In this way, intentional and immanent development was combined. Such a strategy was hardly exclusive to the Third World after 1945, as the developed countries protected themselves from foreign competition in the pre-1914 period (see Chapter 2).

Crucially for the argument that follows, this era of post-war development has been increasingly eroded since the shift away from neo-Keynesian, state-directed capitalist development, to one based on neo-liberalism (Toye 1987; Leys 1996; Kiely 2005a). This shift occurred in the developing world from the early 1980s, with the onset of the debt crisis (see Chapter 4). This crisis laid the foundation for a new set of policies designed to increase global competitiveness, including trade and investment liberalization, and in an increasing number of cases in the 1990s, the removal of controls on the movement of money capital. While much of this was externally enforced in the 1980s, by the 1990s there was considerable support for policies designed to increase competitiveness among powerful groups within the developing world – which, as we have seen, reflected growing neo-liberal hegemony in the international order.

By the turn of the twentieth century, there was considerable support for the idea that globalization provided the best way forward for the development of the former Third World. Considerable evidence was presented to suggest a decrease in global poverty, and the rise of China, the most populous country on Earth, seemingly backed up these claims. The mainstream development debate had supposedly moved on from neo-liberalism to one where a taken-for-granted globalization, combined with domestic institutional changes in poorer countries, provided the basis for sustainable development in the poorer countries. In practice however, the parameters for this globalization had been set by the neo-liberalism of the 1980s, and in most respects represented a continuation of this era.

This begged the question of the relationship between neo-liberal globalization and development. For it was also clear that in terms of social questions such as poverty, inequality and participation in social and political life, development was a genuinely global issue that applied to the so-called developed as well as developing countries (Sen 1999). But equally, it was far from clear that, like the East Asian miracles that predated it, China had become a success story (itself an issue of contention)

through the adoption of neo-liberal or 'globalization friendly' policies. In short, the rise of China reflected a much older debate about the ways in which developed capitalist countries had actually achieved developed status. The likes of Germany, the United States and France had achieved catch-up with Britain through the adoption of protectionist policies – in contemporary language, they had adopted markedly 'globalization unfriendly' policies, just as the first-tier East Asian newly industrializing countries did later in the 1960s through to the 1980s (Chang 2002). What is equally clear in the current era of neo-liberal globalization, is that these kinds of policies are increasingly undermined by the rise of neo-liberalism as a new form of social rule – and indeed, this may be accepted by dominant actors in the developing world, but for them it is also increasingly irrelevant. Moreover, as we will see, China's rise is quite ambiguous in terms of these debates, but we will also see that its own miracle has implications for other developing countries, not all of which are necessarily as positive as 'pro-globalization' advocates suggest. For all these reasons then, the case made for neo-liberal globalization as an opportunity for renewed development has its problems, as Chapters 7 and 9 contend. Seen in this light, attempts by the hegemonic power to police the neo-liberal international order, and incorporate 'failed' and 'rogue' states into that order through development, are problematic at best, and counter-productive at worst (see Chapter 8). The relationship between globalization and development is therefore one that is full of contradictions, which reflect the continued realities of a US-led, imperialist international order.

What should be clear by now then, is that all of the definitions discussed so far – of globalization, imperialism, hegemony and development – relate in some way to each other. What is perhaps less clear, although we have already hinted at some of the different contentions, is the *politics* of each position. Indeed, I have already suggested that at its worst, the concept of globalization essentially depoliticizes highly contentious, and therefore highly political issues. While imperialism and hegemony are perhaps more explicitly political issues, it is also the case that it is perfectly possible to recognize that these exist, but completely disagree on the implications of their existence – as we will see, some may regard imperialism and US hegemony as benign, and some may see them as malign. Often (but not always) the divide reflects a particular position taken on the relationship between one or more of the concepts and how they relate to development. Thus, those that see US hegemony and globalization (and even maybe imperialism) as benign, tend to argue that they are also good for the development of the South, or former Third World. Others argue that US hegemony is bad, precisely because it promotes a form of globalization that hinders development in the South.

What I am suggesting, then, is that we not only need to define the concepts, but we need to identify *particular positions* on globalization, imperialism, hegemony and development. Indeed, it could be argued that these positions also influence how the concepts are defined. In the substantive chapters that follow, specific debates are examined. However, these debates and political positions can broadly be categorized into one of the three positions I now plan to outline. This is not always the case, and I identify some qualifications below. But broadly speaking, these accounts correspond to at least one of the arguments in each chapter, and usually two or three of the arguments. They are not necessarily entirely mutually exclusive, and nor is there one single version of each argument, and undoubtedly something is lost in the detail in presenting them in this way. But this presentation is also useful, as it will help the reader to make links from the specific arguments in each chapter to the wider, general assumptions about globalization, imperialism, hegemony and development. These three accounts come under three headings: (i) globalization as a win-win situation; (ii) globalization as a zero-sum game; (iii) globalization as uneven development. In each case, these positions also make particular arguments about imperialism, hegemony and development.

Globalization as a Win-Win Situation: Diffusing Development

This argument is most closely associated with neo-liberalism (and the 'third way' and post-Washington consensus), and it closely parallels the liberal imperialism that is discussed in the next chapter. The basic argument made is that everyone can win from globalization provided that each state adopts the correct policies. This involves increasing integration into the international economy, so that each country specializes in exercising its comparative advantage – that is, each country specializes in producing those goods or services that it can produce most efficiently. If each country specializes in this way, then one country can exchange the surplus of those goods it produces most efficiently, for the surplus of another country's comparative advantage. Thus, both output in each country and world output are maximized.

The theory of comparative advantage is derived from the work of the nineteenth-century classical economist David Ricardo. This theory attempted to develop Adam Smith's observation that a country should not produce a good that it could buy more cheaply from abroad. Ricardo developed this argument further with the suggestion, based on a two-sector/two country model, that even in cases where one country has an

initial absolute advantage in both goods, each country would benefit by specializing in producing one good and exchanging with the surplus produced by the good in which the other country had a relative advantage. In his famous hypothetical example, Portugal had an advantage in both wine and cloth production over England, as it used 90 labour hours in making wine (compared with England's 120) and 80 hours in making cloth (compared with 100 hours in England). Even though Portugal had an absolute advantage in both, it still made sense to specialize in wine production, leaving England to specialize in cloth. This was because it was *relatively* better than England in wine production and so should concentrate on in that sector, leaving England to concentrate on cloth, and leaving each to trade their surplus wine and cloth with each other. In the process both would be better off through such specialization (Ricardo 1981: 133–41). Any trade deficit in one country will have the effect of leading to a fall in export prices relative to its import prices, which would increase the competitiveness of exports (and increase export values) while simultaneously increasing import prices (and thus the exports of trade-surplus countries). Adjustment will therefore be automatic, and although there may be some short-term difficulties, in the long run markets will clear and full employment will be restored. This theory was further developed on the basis of the idea of comparative factor advantages, so that the relative abundance of a particular factor of production (land, labour or capital) will generate low costs and therefore specialization based on one or more of these factors. Thus, according to this 'Heckscher–Ohlin model', labour-abundant economies will specialize in labour-intensive production, until at same point factor endowment prices will be equalized across the world (Ohlin 1933).

Ricardo argued that this scenario rested on three preconditions, which were full employment, capital immobility and similar capacities to produce goods for the world market. Full employment would be guaranteed as markets cleared, so that effective supply is always effective demand. Ricardo also argued that if capital were mobile, and could easily move from one country to another, then the result would not be towards equalization and equilibrium in the world economy, but rather towards uneven development. Trade occurred precisely because investment was immobile, but if this was not the case, then (to return to his example) capital would move to Portugal in search of higher profits, thus leading to expansion in Portugal and contraction in England. In this scenario, given the lower costs of production in one particular location, investment would tend to concentrate in that region, thus lowering costs and increasing competitive advantage, even when wages increased, as these could be more than compensated for by improvements in technology and hence productivity increases. And this in turn would mean

that countries would not have similar capacities to produce goods for the world market. This is a picture closer to the third position outlined below.

Clearly, in the era of contemporary globalization, at least one of these assumptions no longer holds, which is capital immobility. This is particularly true because reduced transportation and communications costs have made capital more mobile. However, neo-liberals argue that this should not matter and indeed it can work to the advantage of developing countries. This is because capital can move from high-cost areas to take advantage of lower costs in the poorer countries. Provided the correct (open) policies are pursued, developing countries can exercise their (competitive) advantage because they have lower costs. This is reinforced by the return of smaller-scale businesses, which are both 'leaner' and more efficient than large and cumbersome companies. Although this will initially mean that they concentrate in labour-intensive sectors, the increase in investment will provide the funds to allow them to upgrade into more capital-intensive sectors (Balassa 1989). This is sometimes associated with the 'flying geese' model, in which Japan and first-tier newly industrializing countries (NICs) in East Asia upgrade to higher-value production, shedding their lower-value, labour intensive sectors, and thus allowing the next tier of NICs to concentrate production in these sectors.

Contemporary advocates of (neo-liberal) globalization are thus upbeat about the potential for development and convergence between rich and poor countries. Globalization constitutes an opportunity for the latter, provided that they adopt the right policies, which effectively means ones that encourage specialization. In practice this means trade and investment liberalization, with the prospect of financial liberalization in the future. Some evidence is provided to back up these claims, and many advocates of globalization – and not just those committed to neo-liberalism – argue that this current period is a return to earlier periods of globalization, such as that from the 1880s to 1913 (Sachs and Warner 1995; Desai 2002). In this account, globalization is said to promote convergence between countries, but this was interrupted by the years of relatively closed economies, from 1914 to 1945 (or 1982). Some limitations are identified, including the double standards of First World protectionism, but the hope is that current commitments (above all, through the World Trade Organization) will encourage liberalization in those sectors too.

Although neo-liberals often claim hostility to the state, they also argue that for globalization to continue in this way, there needs to be a benevolent hegemonic power. The United States is regarded as such a power by most advocates of globalization (Lal 2004), although there is some

concern about the increased unilateralist direction taken since 2001 (Kaldor 2003). Some parallels are made with the benevolent hegemony of British liberal imperialism from the mid-nineteenth century, with its commitment to the expansion of free trade throughout the international economy. In this scenario, the US plays the role of benevolent hegemon, policing rogue and failed states that challenge the commitment to openness generated by states incorporated into the international community. This incorporation expands the liberal zone of peace, in which commercial relations between states replace older relations based on war. This is because international openness expands interdependence so that each state has a vested interest in not waging war on other states (Kant 1983; Cobden 1903). This is reinforced by growing financial and productive integration (Giddens 1999; Friedman 2005a, 2005b), of which the latter at least is part of the contemporary era of globalization, with the result that liberal states do not go to war with each other, something that is reinforced by the accountability of governments in an era of growing liberal democracy (Doyle 1983; Russett 1990). Liberal internationalism committed to neo-liberal expansion is thus progressive, but it requires considerable leadership from a progressive hegemonic state. For some advocates of this point of view, the more openly unilateralist administrations such as that of George W. Bush are regarded as liberal internationalist, even if some advocates of liberal expansion are concerned at the means by which that particular administration was committed to such ends. This is because globalization represents new challenges, particularly in terms of global terror networks committed to fundamentalist resistance to the progressive globalization of liberal internationalism.

There are considerable differences between US hegemony and the British hegemony which preceded it. The latter was committed to formal colonization, while the former since 1945 has supported the expansion of sovereign states. Although there are one or two contemporary thinkers who come close to advocating a return to colonialism as well as Empire (Ferguson 2003, 2004; Cooper 2002; Boot 2003), most prefer the US (or in Cooper's case, an alternative hegemonic power) to exercise hegemony by less formal means. The key similarity, however, is support for the expansion of liberal openness.

Globalization as a Zero-Sum Game: Development as Underdevelopment

This approach is almost diametrically opposed to the broad position outlined above. Again there are considerable variations in this view, but it is united around the idea that globalization is largely a malign force,

which represents either a return to, or a new form of, imperialism. Taking its cue from neo-Marxist theories of underdevelopment, dependency and the world system, this view argues that globalization represents the interests of the powerful, and these are overwhelmingly concentrated in the western world. Globalization is best theorized as capitalist globalization, in which some parts of the world grow at the expense of other parts. Greater global integration through trade, investment and financial liberalization does not lead to global convergence, but instead intensifies the gap between the powerful and powerless in the world order. Rich countries, companies and people develop at the expense of poorer parts of the world in what amounts to a zero-sum game. In the 1960s, this was associated with the view that the development of the rich world occurred through the exploitation of the poor world, and that therefore development and underdevelopment were two sides of the same coin (Frank 1969a and 1969b). Contemporary globalization thus represents new wine in old bottles, as the rich get richer and the poor get poorer. Changes have occurred in recent years, and the old international division of labour has given rise to a new division in which the global South is integrated into the world economy increasingly as a producer of manufacturing goods rather than the primary goods of the colonial era, but the basic division between core and periphery (and perhaps semi-periphery) has not changed (Wallerstein 1974; Frobel et al. 1980).

In terms of hegemony, some writers – who may not ally themselves entirely with the arguments of underdevelopment theory, even if they share much of its methodology (see Chapter 5) – link US hegemony to the continuation of capitalist imperialism. In this approach, capitalist economic competition gives rise to military competition between competitive capitalist states, which ultimately leads to war (Lenin 1975; Bukharin 1973). For some classical Marxists, events since 2001 confirm the continued relevance of this theory of inter-imperialist rivalry (Callinicos 2002a; 2005). Capitalist competition is thus bound to lead to war, and recent conflicts are essentially caused by continued rivalries between the core capitalist states, or are premised on the view that the United States must discipline any potential challengers to its hegemonic status. Interventions in Afghanistan and Iraq are therefore less about humanitarian intervention against rogue states, and more about US power. This may be rooted in economic interests such as oil, but also in strategies designed to deter potential geopolitical challenges to US power (Gowan 1999; 2002). The two are of course not mutually exclusive and the war in Iraq could be regarded as a lesson to China in US power, and an attempt to gain exclusive control of Iraqi oil, also at the expense of China.

In the return to imperialism thesis, globalization is ultimately an ideology designed to protect powerful imperialist interests. Reference to the

international community, responsible behaviour by states, and human rights observations are mere rhetoric, which hides the real motives of expanding either US and/or capitalist hegemony, neither of which meets the developmental needs of poorer nations.

Globalization as Uneven Development

This view is closest to the position taken in the rest of the book. It certainly does not reject the second position entirely, but suggests that the developmental implications of contemporary globalization are not well theorized by either of the positions outlined above. Moreover, this view also attempts to forge a position on hegemony and imperialism somewhere between these two contending schools of thought. Perhaps above all else, it highlights the contradictions, as well as the power relations, in the contemporary global economy.

In terms of development, this position rejects the view that globalization is a straightforward zero-sum game in which some regions grow simply at the expense of other regions. Capitalist expansion is a dynamic but also an uneven process, and in contrast to the neo-liberal (and pro-globalization) positions, this unevenness is not seen as a result of market imperfections, but is in fact a product of the way competitive markets work in the real world. Thus, to return to Ricardo's preconditions (above), clearly full employment, capital immobility and potentially equal structures of production do not exist. The update of the Heckscher-Ohlin model which suggests that capital mobility can work to the advantage of poorer countries, as they have lower labour costs, ignores the fact that costs can be decreased through technological innovation and productivity increases, while market share and profits can be accumulated through the generation of rents, as Ricardo himself suggested. Rents can be defined as 'a situation where the parties who control a particular set of resources are able to gain from scarcity by insulating themselves from competition. This is achieved by taking advantage of, or by creating barriers to the entry of competitors' (Kaplinsky 2005a: 62).

These arguments therefore point to a different understanding of competition. Rather than the 'level playing field' assumed by current advocates of globalization as well as earlier neo-liberal claims for the world economy, this approach views competition as an inherently unequal process, above all driven by producers in their search for rents, oligopolistic profits, and increasing returns to scale (Kaldor 1972). This is done through the development of economies of scale and scope, investment in Research and Development and thus new technology, and capturing

markets in new and therefore relatively uncompetitive sectors. The market leaders therefore have a competitive advantage over new entrants to national and international markets, and while this can never be absolute, it can certainly tilt the playing field in favour of established producers (and, as we will see, retailers and buyers). Moreover, suppliers, credit and infrastructure may also develop in close proximity to these market leaders, thus further facilitating spatial agglomeration in favoured locations. The market leaders and their state representatives are therefore in a position to take advantage of intensified competition, and therefore have a vested interest in greater openness through trade and investment liberalization.

For developing countries, it therefore does not follow that liberalization represents a straightforward opportunity. Orthodox theory argues that free trade will lead to equilibrium because trade surpluses for an initially competitive country will lead to capital flowing in to invest in that country's currency (for which there will be high demand due to the trade surplus), which in turn will lead to increased prices, including in the export sector. In the poor, deficit country, capital outflow will lead to falling prices, which will increase export competitiveness. But in fact what is more likely to happen is that countries with a trade surplus will benefit from an inflow of money, as the availability of credit would cheapen the costs of borrowing, thus stimulating further investment. At the same time the deficit country will see an increase in the cost of borrowing, thus undermining investment further. This may be offset by the attraction of high interest rates, but this is likely to lead to investment in financial speculation more than production – a common occurrence in the current era of globalized financial flows. In other words, free trade may intensify imbalances in production and trade across countries, thus intensifying uneven development and undermining the prospects for sustained capital accumulation and development in poorer countries (Shaikh 1979–80; Darity and Davis 2005). The precise forms of uneven development – including deficits in core countries, particularly the US – are considered in detail in the chapters that follow.

At the same time, capitalism has become more open and transnational in recent years, and one manifestation of this globalization is the rise of manufacturing in what used to be called the periphery. This has in part been facilitated by the reduction in transport and communications costs, as well as by state policies designed to attract investment through increased openness. However, with the partial exception of East Asia, no region from the former periphery has enjoyed any significant success in breaking into those dynamic, high-value-added sectors where above-average profits or rents can be generated. This is because the barriers to entry in these sectors are so high, so that competitive advantage tends to

remain concentrated in the developed world, along with significant concentration in the form of high-value trade and investment (Amsden 2001; Nolan 2003).

This phenomenon constitutes a massive problem for the approaches outlined in the previous two sections. Neo-liberals and advocates of contemporary globalization argue that, provided the right policies are adopted, convergence will occur through specialization and/or capital relocation from richer to poorer areas. For underdevelopment and dependency theorists, capital relocates from core to periphery in order to 'super-exploit' labour in the latter. For theorists of the new imperialism, the export of capital to the periphery is necessary so that capital can take advantage of new, profitable opportunities and thus avoid recessions in the centres of capital accumulation. But the approach suggested here is that there is a significant tendency towards the concentration and centralization of capital, as capital is attracted to existing areas of capital accumulation. These points applied equally to the supposed period of earlier globalization, where capital investment and trade tended to be between the colonial powers and where colonialism failed to modernize the colonies. But in some respects, in an era of enhanced mobility and the globalization of production, this has become all the more apparent in recent years. Moreover, contrary to the claims made by new trade theory (see below), these are not 'market imperfections' that can be overcome by strategic trade policy led by states otherwise committed to orthodox free trade policies (Krugman 1986). In fact, these inequalities are intrinsic to the uneven development of international capitalism (Shaikh 2005).

At the same time, there has been some significant relocation in lower-value production, including the production of component parts as well as finished goods. And it is in these labour-intensive sectors that competition is most acute, not least because of the rise of China and its growing competitive advantage in those sectors, which has led to something close to a race to the bottom. This discussion points to the potential revival and update of the theory of unequal terms of trade, developed in the context of the post-war case for industrial development by Hans Singer (1950) and Raul Prebisch (1959). Briefly, this thesis challenged the assumptions of orthodox trade theory in the 1950s by suggesting that the lower prices that resulted in productivity improvements among manufacturing producers was more than offset by the disadvantages faced by primary-goods producers. This was first because of the lower income elasticity of demand for primary goods, which meant that as incomes increased, a declining share of income would be spent on these, rather than manufactured goods. In addition, primary producers suffered from low barriers to entry and therefore intensive competition, the threat of

synthetic substitutes, and comparatively low costs due to full employment (and trade unions winning wage increases) in the high-cost developed countries as opposed to high unemployment, which served to keep wages down in the developing world. It was this argument about falling net barter terms of trade for primary goods as against manufactured goods that served to rationalize the case for industrialization strategies in the developing world, as Chapter 3 will show. But later chapters will also show that a similar scenario applies to the current era of globalization, and the terms of trade between different kinds of manufactured goods. Thus, much of the developing world continues to face adverse barter terms of trade, because these areas specialize in manufacturing goods where competition is intense, demand has reached certain limits (and global overcapacity is common) and costs continue to be low due to the existence of a large and global reserve army of labour. This leads to intense competition and falling prices among developing countries, even as unemployment, flexible labour markets and government legislation have undermined trade union power (and real wage increases) in the developed world. This is in part because of the impact of competition from countries with lower wages – a race to the bottom (discussed below) – but equally it is because of the wider political defeats of organized labour since the 1970s and 1980s, with the effect that real wages have declined in favour of capital, not least in non-tradeable sectors not subject to foreign competition.

These developments suggest that globalization should be regarded as a new era of international capitalism, an argument usefully made by theorists of transnational capitalism. They contend that as capital becomes more transnational, so US (economic) hegemony further declines (Burbach 2004; Robinson 2004). Washington thus represents the interests of a transnational, rather than US, hegemony. This argument is thus very different from the idea that the world can still be characterized as imperialist. But in one respect, it shares the view of the second perspective outlined above, in that they both highlight the ways in which the periphery (insofar as it still exists) remains dependent on foreign capital, technology and markets, and employment is based on the 'super-exploitation' of the labour force in the developing world (Klein 2000). Indeed, the era of globalization is associated with the increased mobility of capital, which has further facilitated such super-exploitation, and led to a race to the bottom in which capital can easily flow from place to place, thus undermining the power of labour in both the North and the South (Burbach and Robinson 1999). Thus, in this respect, like the neo-liberals, the transnational capitalism view accepts that there is a tendency towards global convergence between different nations and regions in the world economy, but unlike neo-liberals, argues that this has led to

a levelling down, rather than the levelling up envisaged by the latter. In this way, theories of transnational capitalism do not fall easily into one of the three categories outlined above, but actually encapsulate elements of both the second and third approaches.

In my view, while the transnational capital theory usefully points to a greater integration of global capitalism in recent years, it also under-estimates the continued importance of nation-states in the world order, and particularly the hegemonic role of the United States. For it is above all that particular state that has promoted increased global integration, through the trade, investment and financial liberalization associated with contemporary economic globalization. On the other hand, it is important to understand that these policies have enjoyed substantial backing from dominant social groups in different parts of the world, particularly but not exclusively in the core capitalist countries. For this reason the idea that the current era is based on inter-imperialist rivalries is mistaken, and there is considerable evidence of high degrees of cooperation between core powers. Even if there is also economic competition and some disagreements on military strategy, this does not amount to anything like a return to inter-imperialist rivalries.

This in part reflects the increased global interdependence that is central to theories of transnational capitalism. However, these theories downplay continued hierarchies based on both capital flows and state power in the international state system. In other words, they lack an adequate theory of uneven development of the kind that is central to the third position outlined above, and developed throughout this book. The US remains the hegemonic state, even if its economic prominence is not what it was in the period after 1945. In particular it is the US that takes the lead (albeit selectively) in promoting increased openness (as opposed to the relatively closed policies of core states except Britain before 1914). As a significant market leader in many sectors, this has the effect of boosting many US companies, even if this also has some contradictory effects within the United States. Moreover, the US also benefits from its central role as the main source of international finance, which allows it to enjoy certain privileges over its competitors, including the ability to live beyond its means as it runs trade deficits financed by capital inflows into the US from abroad. These arguments are developed further in Chapters 5 and 9.

Ultimately, the US's hegemonic power is backed by its military force. The liberal internationalist advocacy of the benign hegemon is undermined by the continued selectivity and double standards practised by US administrations in dealings with rogue states. But equally, the argument that military hegemony easily promotes economic hegemony is unconvincing. This is because military actions have limitations in terms of dis-

ciplining weak powers as well as potential competitors like China, but also because the US's commitment to international openness means that securing supplies of certain raw materials (like oil) cannot generate total control of what amounts to a global industry. In other words, military power has its limits, especially in an era of enhanced global integration. This is not so much an argument that favours the liberal position on 'democratic peace' (above), but one that shows the limits of hard power in a more open world, whatever the fantasies of some neo-conservative and other hawks in the United States. US military power should therefore be seen as one that plays a policing role, attempting to expand the perceived liberal zone of peace by undermining rogue states (even if alliances are also made with some authoritarian states). The hope then is that intervention can lead to the development of growth and prosperity based on liberal democracies and market economies for all. But this is a forlorn hope, first because it assumes that liberal states are natural, waiting to be liberated from 'rogue' and 'evil' elements in particular societies. Moreover, given that this involves the promotion of neo-liberal policies – which undermine the potential to generate the development of cutting-edge sectors within these economies – the potential for such high growth and prosperity is undermined, not least by the very same US state that promotes these policies. In these respects (and leaving aside the specifics of regional geopolitics such as the Israel–Palestine conflict), recent attempts to promote development (growth, prosperity) to increase security (liberal expansion of the zone of peace) are full of contradictions.

This brief outline of perspectives on globalization, imperialism, hegemony and development will be expanded and developed in the chapters that follow, both generally and in relation to specific issues and topics. The three-fold division does have its limits. For example, as already noted, the theories of transnational capitalism and imperialism cross over into both the second and third of the three major perspectives offered, and are themselves the subject of an intense debate over hegemony and international capitalism, as Chapter 5 will show. Similarly, and somewhat paradoxically, many versions of contemporary social democracy accept some of the contentions made for international trade by the third perspective, but believe that state intervention can shape comparative advantage so that the international economic order increasingly comes to be characterized by the first position outlined above. As will be seen in Chapter 8, this social democratic position accepts that there are economies of scale and thus imperfect competition, but argues that these can be resolved by appropriate institutional change and state policies, which can promote balanced trade, growth and development. Some other issues, such as the related questions of global governance, global civil society and cosmopolitanism, do not neatly fit into any of the three

approaches outlined in this chapter. Certainly there is distrust of the state and some commitment to liberal democratic peace, but equally most contemporary cosmopolitans do not endorse neo-liberalism, or the unilateral methods of some US administrations in expanding the liberal order. But the discussion above does illuminate the extended discussion of these issues in Chapter 6, as the argument made there is that cosmopolitanism (at least in its liberal form) is weak in terms of its optimism concerning institutional change, its under-estimation of neo-liberal capitalism, and the realities of uneven development in the international order.

A further theory which receives only a small amount of attention in this book is perhaps the dominant theory in international relations, that of realism. As we have seen, this theory says little about forms of power other than state power, and while power cannot be separated from the state, it also cannot be reduced to it. Equally, realist theory is less a theory than a *description* of international relations – the rise and fall of hegemonic powers, and indeed the power of states in relation to other states, is barely analysed, but merely described. Indeed, not only does too much study of international relations focus on the most powerful states, but the discipline sometimes appears to be designed for that purpose (Phillips 2005: 2). Ironically then, the state-centrism of realist theory is hindered above all by the fact that it does not have an adequate theory of the state.

This leads me to my final point. The purpose of this book is to examine the relationship between international political economy and development. Implicit – but sometimes explicit – in what follows is a challenge to the Eurocentrism of much of what passes for international relations. In this sense globalization can also be seen as a methodology, based on the notion that too much of international relations and international political economy has excluded the question of development and developing countries from its concerns (Phillips 2005: 2–4; Taylor 2005). This is not to embrace any simplistic notion of the specificity of the study of development, or of what used to be called the ‘Third World’, but it is to suggest that any notion of universality in international relations, international political economy, or globalization, must not take the developed countries as the norm. Equally, the study of development should not assume away the existence of the highly unequal international political and economic order, as so much of ‘development studies’ today tends to do, so that the broad ambition of that once stimulating area of study is lost (Payne 2004; 2005). This book therefore embraces a universalism that is sensitive to differences in the world order, not necessarily in the sense of embracing cultural relativism, but in the much wider sense of recognizing social and historical diversity, and social, economic and political power, in the international order.

The Structure of the Book

As its title suggests, this book is about the relationship between globalization, imperialism, hegemony and development. The book treats globalization as something that in some respects is historically novel, which applies particularly (though not exclusively) to the last twenty-five years, while at the same time suggesting that there are considerable continuities as well as differences between the current era and earlier periods in the international economy. Each chapter reviews particular debates which relate to specific areas of contention within the wider globalization ‘paradigm’, and each can be read in its own right as a contribution to these particular debates. These include three historical chapters (2 to 4) on earlier periods, and on the origins, of contemporary globalization, and how these related to the (implicit or explicit) question of ‘development’. Chapter 5 then considers globalization theory and theories of globalization, and also gives considerable treatment to the relationship between globalization, neo-liberalism, US hegemony and capitalism. Chapter 6 addresses the question of cosmopolitanism and how this relates to issues of global governance, using the United Nations, humanitarian military intervention, the World Trade Organization (WTO) and global civil society as case studies. Both these chapters focus on these broad questions, but relate them in particular to the subject of development and developing countries. Chapter 7 then examines the relationship between poverty, inequality and globalization, and does so by examining the evidence for and against the claim that these have increased or decreased in recent years, before moving on to consider the wider question of the nature and direction of capital flows in the contemporary global economy. Once again the matter of development is central, and it is argued in this chapter that ‘North–South’ inequalities persist, albeit in more complex forms than those associated with older theories of dependency. This chapter is followed in Chapter 8 by a consideration of the role of the nation-state in the era of globalization, with a particular focus on the restructuring of the nation-state, and how this issue relates to the question of the developmental state, the Washington and post-Washington consensus, and restructuring rogue and failed states through military intervention. Chapter 9 addresses in further detail the question of US hegemony by examining potential challenges from East Asia and Europe, both generally and with specific focus on development, which is then used to reconsider the specific nature of contemporary hegemony in the context of higher degrees of global integration. Finally, the question of political alternatives ‘from below’ is considered in Chapter 10, which examines aspects of ‘political Islam’ and ‘fundamentalism’, before moving on to consider alternatives to ‘actually existing globalization’.